

GREENVILLE HOUSING COMMISSION  
GREENVILLE, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Greenville Housing Commission	County Kentwood
Fiscal Year End June 30, 2006	Opinion Date January 19, 2007	Date Audit Report Submitted to State February 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

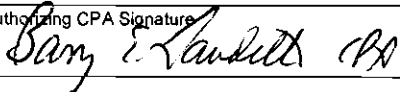
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Report on Internal Controls and Compliance		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

GREENVILLE HOUSING COMMISSION  
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## INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Greenville Housing Commission  
Greenville, Michigan

I have audited the accompanying financial statements of the business-type activities of the Greenville Housing Commission, Michigan, a component unit of the City of Greenville, as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Greenville Housing Commission, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Greenville Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated January 19, 2007, on my consideration of Greenville Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Greenville Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Greenville Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



January 19, 2007

GREENVILLE HOUSING COMMISSION  
GREENVILLE, MICHIGAN  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)**  
June 30, 2006  
=====

The Greenville Housing Commission, created in 1968, by the City of Greenville provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

**Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Entity-Wide Financial Highlights**

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2006</u>	<u>Year 2005</u>
Operating Subsidies	\$ 144,172	\$ 152,172
Section 8 Voucher Program	499,429	484,559
Section 8 New Construction	185,267	220,591
Capital Projects Funds	9,450	212,137

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 146,191	\$ 191,499	\$ ( 45,308)
Accounts Receivable	3,120	7,319	( 4,199)
Investments	498,470	491,691	( 6,779)
Prepaid Expenses	41,108	27,223	13,885
Fixed Assets, prior to Depreciation	6,300,180	6,249,697	50,483
Total Current Liabilities	293,401	216,370	77,031
Total Noncurrent Liabilities	490,314	639,262	( 148,948)
Net Assets	2,322,562	2,409,621	( 87,059)
	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	355,325	346,867	8,458
HUD Grants	838,396	1,069,459	( 231,063)
Other Revenues	23,409	13,583	9,826
Total Revenues	<u>1,217,130</u>	<u>1,429,909</u>	<u>( 212,779)</u>
Expenses:			
Administration	196,215	248,982	( 52,767)
Tenant Services	1,617	652	965
Utilities	128,164	109,009	19,155
Maintenance & Operations	229,747	215,956	13,791
General Expenses	125,057	122,246	2,811
Total Operating Expenses	<u>680,800</u>	<u>697,275</u>	<u>( 16,475)</u>
Results before Other	<u>536,330</u>	<u>732,634</u>	<u>(196,304)</u>
Casualty Losses	16,069	634	15,435
Depreciation Expense	258,878	249,443	9,435
Housing Assistance Payments	392,932	425,712	( 32,780)
Net Change in Net Assets	(131,549)	56,845	(188,394)

Our cash position decreased primarily from reducing total liabilities; current liabilities increased \$77,031 but our noncurrent liabilities decreased \$ 148,948, the net use of cash was \$71,917. Accounts receivable (net) decreased because we increased our allowance for doubtful accounts \$8,732. Investments increase by the amount of interest earned; prepaid expenses increased as a result of late year purchases of insurance. Capital assets increased \$50,483; which will be covered later in this report. Current liabilities increased because the current portion of long term debt increased \$15,000; we also booked approximately \$28,000 in payables - last year all current payables were satisfied at year end. Non current liabilities decreased by the current year principal payment of \$150,000. Net assets decreased by the amount of net loss of \$131,549 and prior period adjustments of \$(62,708).



Tenant revenues increased consistent with increases in social security benefits and other adjustments as a result of ordinary re-examinations.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. Capital Project funds dropped \$231,063; in the prior year we used most of the funds for kitchen renovations, in the current year we completed that project and have not requested any of the 2006 grant.

Administrative expenses decreased \$54,767 as a direct result of eliminating the Section 8 Coordinators position. Initially we intended to transfer the program to another commission, but later learned of many discrepancies and had to retain the program - see Commission's position for further discussion.

Housing Assistance Payments decreased \$32,780; this was a result of correcting errors made by the prior coordinator as stated above and later in the Commission's position, below.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2006</u>	<u>Year 2005</u>
Low Rent Public Housing	89	89
Housing Assistance Program	107	107
Section 8 New Construction	61	61

#### **Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

## Capital Asset Analysis

The following represents the additions to fixed assets for the year:

Completion of kitchen renovations increased assets by \$50,483. We have not obligated any of the 2006 Capital Funds as of the end of the fiscal year; based on our needs assessment we will use the funds for security and technology upgrades. New security camera systems, telephone upgrade, repair of emergency call system and apartment intercom systems.

## Budgetary Highlights

The Commission approved an operating budget for 2006 and had no occasion to revise the budget during the year. The actual results compared to budget revealed the following significant differences:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>
Maintenance & Operations	\$229,747	\$196,281	\$ 33,466

Our actual labor, material and contract cost were higher than budget; we had a number of move outs during the year which required additional materials and contract cost for unit turn around. This was the only significant difference between actual and budgeted cost.

## Commission's Position

The Commission plans on continuing to upgrade our security systems and technological improvements. We plan on using our 2006 CFP to fund the aforementioned additions.

Last year our Section 8 coordinator position was eliminated due to budget constraints. Subsequently we became aware of impropriety and mismanagement by the previous coordinator of the program which were numerous and prompted the Director to request an investigation by HUD; the results of HUD's review have not been released as of the date of this report. The Commission intends to cooperate fully with HUD and correct any errors discovered; it is undecided at this time whether the Commission or HUD will pursue the employee for her deception and program failures.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Lorri J. Brookman, Executive Director  
308 E. Oak Street, Greenville, MI 48838

## FINANCIAL STATEMENTS

GREENVILLE HOUSING COMMISSION  
**STATEMENT OF NET ASSETS**  
June 30, 2006  
=====

**ASSETS**

Current Assets:	
Cash	\$ 146,191
Accounts receivable-tenants	12,065
Allowance for doubtful accounts	( 8,945)
Investments-unrestricted	498,470
Prepaid expenses	<u>41,108</u>
Total Current Assets	<u>688,889</u>
Capital Assets:	
Land	86,786
Buildings	5,781,846
Equipment	313,862
Building improvements	<u>117,686</u>
	6,300,180
Less: accumulated depreciation	<u>( 3,967,033)</u>
Net Capital Assets	<u>2,333,147</u>
Total Assets	<u><u>\$ 3,022,036</u></u>

See notes to financial statements

GREENVILLE HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
June 30, 2006  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 28,365
Tenant security deposit liability	34,796
Accrued expenses	2,406
Deferred revenues	7,883
Current portion of long-term debt	135,000
Accrued liabilities-other	<u>710</u>
Total Current Liabilities	<u>209,160</u>
Noncurrent Liabilities:	
Long-term debt, net of current	480,000
Accrued compensated absences	<u>10,314</u>
Total Noncurrent Liabilities	<u>490,314</u>
Total Liabilities	<u>699,474</u>
Net Assets:	
Invested in capital assets	1,718,147
Unrestricted net assets	<u>604,415</u>
Total Net Assets	<u>2,322,562</u>
Total Liabilities and Net Assets	<u>\$ 3,022,036</u>

See notes to financial statements

GREENVILLE HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2006  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 350,342
Non-dwelling rent	<u>4,983</u>
Total operating revenues	<u>355,325</u>

**OPERATING EXPENSES:**

Administration	196,215
Tenant services	1,617
Utilities	128,164
Ordinary maintenance and operation	229,747
General expenses	70,857
Interest expense	54,200
Casualty losses	16,069
Housing assistance payments	392,932
Depreciation	<u>258,878</u>
Total operating expenses	<u>1,348,679</u>

Operating income(loss)	<u>( 993,354)</u>
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**NONOPERATING REVENUES:**

Investment interest income	5,371
Other income	18,038
Capital grants	5,408
Operating grants	<u>832,988</u>

Total nonoperating revenues	<u>861,805</u>
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Change in net assets	( 131,549)
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Prior period adjustments, equity transfers and correction of errors	62,708
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Net assets, beginning	<u>2,391,403</u>
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Net assets, ending	<u><u>\$ 2,322,562</u></u>
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See notes to financial statements

GREENVILLE HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2006  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 348,185
Cash payments to other suppliers of goods and services	( 754,044)
Cash payments to employees for services	( 261,886)
Cash payments for in lieu of taxes	<u>( 23,288)</u>
Net cash (used) by operating activities	<u>( 691,033)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

Tenant security deposits	1,575
Operating grants	791,616
Other revenue	<u>18,038</u>
Net cash provided by noncapital financing activities	<u>811,229</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING  
ACTIVITIES:**

Payments on long-term debt	( 125,000)
Capital grants	5,408
Payments for capital acquisitions	<u>( 44,503)</u>
Net cash (used) by capital and related financing activities	<u>( 164,095)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments (increased)decreased	( 6,779)
Receipts of interest and dividends	<u>5,371</u>
Net cash (used) by investing activities	<u>( 1,408)</u>

Net increase(decrease) in cash	( 45,307)
Cash, beginning	<u>191,498</u>
Cash, ending	<u>\$ 146,191</u>

GREENVILLE HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended June 30, 2006  
=====

RECONCILIATION OF CASH AND CASH EQUIVALENTS  
PER STATEMENT OF CASH FLOWS TO THE BALANCE  
SHEET:

Cash	\$ 146,191
Restricted cash	<u>                    </u>
Cash and cash equivalents per balance sheet	<u>\$ 146,191</u>

SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 993,354)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	258,878
Bad debt allowance adjustment	8,732
Adjustments	47,707
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 4,533)
Prepaid expenses	( 13,885)
Increase (decrease) in liabilities:	
Bank overdraft	( 3,674)
Accounts payable	5,727
Accrued wage/payroll taxes payable	( 812)
Accrued compensated absences	6,725
Accounts payable-PILOT	63
Deferred revenues	<u>( 2,607)</u>
Net cash (used) by operating activities	<u>\$( 691,033)</u>

See notes to financial statements



GREENVILLE HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Greenville Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

The Greenville Housing Commission is a component unit of the City of Greenville, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Greenville on April 8, 1968, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Greenville Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3011, the Housing Commission constructed, maintains and operates 89 units of subsidized housing in the City of Greenville, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 107 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission. The Housing Commission receives a HAP allocation in addition to administrative fees based on the number of households it assists under its Housing Choice Voucher program. The Housing Commission also, since April 21, 1978, operates a New Construction Section 8 Program of 61 units of subsidized housing in the City of Greenville.

**Fund Financial Statements**

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets,

Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases(revenues) and decreases(expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Greenville Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

## **Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

## **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

## **Fixed Asset Capitalization**

Fixed assets with a cost to acquire or construct of \$300 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	5 - 10 years
Building improvements	10 years

## **Net Assets**

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

## **Operating Revenues and Expenses**

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services. Amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

### Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

### Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave: Personnel leaving the employment of the Housing Commission are entitled to reimbursement for accumulated vacation, prorated for the length of employment.

Vacation must be used within the same calendar year accrued. Payment will not be made for vacation time not used.

- \* Sick pay: Sick leave accrues to 48 days. Anything over 48 days is forfeited. Upon retirement or termination of employment, employee is paid for 50% of accrued sick leave if employee has been employed for one year or more. Sick leave time taken will be deducted from the amount accrued.

- \* Personal days: Full-time employees will be granted two personal days each year. Not to be accrued beyond the year in which they are given.

The amount of accumulated benefits at June 30, 2006, was \$11,460, and is recorded as a liability in the applicable funds.

### Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

### Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

### **NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK**

The Housing Commission maintains cash and investment accounts in the Low Rent Program, Housing Choice Voucher Program, and Section 8 New Construction Program funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent and Section 8 New

Construction Program accounts.

### Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$146,066 and the bank balance was \$231,857 of which \$231,857 was covered by federal depository insurance. The Housing Commission also has \$125 in petty cash.

### Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2006:

Greenville Community Bank (CD #35485)	\$ 45,000
Greenville Community Bank (CD #73)	30,000
Huntington Bank (CD #07153049219)	10,000
LaSalle Bank (Cash and equivalents)	405,391
Oppenheimer & Co. (Money market funds)	<u>8,079</u>
	<u>\$498,470</u>

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

1. U.S. Treasury Notes - 100%; or

- |                                     |   |         |
|-------------------------------------|---|---------|
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities       | - | 25%     |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 125
Carrying amount of deposits	146,066
Investments	<u>498,470</u>
Total	<u>\$ 644,661</u>
Cash and cash equivalents:	
Enterprise activities	\$ 730,452
Enterprise activities - checks written in excess of deposits	<u>( 85,791)</u>
Total	<u>\$ 644,661</u>

### NOTE 3: RECEIVABLES AND PAYABLES

#### Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2006, the receivables were \$9,470 with \$213 estimated as uncollectible. Bad debt expense was \$-0-.

#### Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 81,666		
Housing Choice		Section 8 New	
Voucher Program	<u>2,575</u>	Construction	<u>\$ 84,241</u>
	<u>\$ 84,241</u>		<u>\$ 84,241</u>

The capital fund program transferred \$4,042 to the Low Rent Program during the fiscal year ended June 30, 2006.

### Long-Term Debt

Details of the Housing Commission's outstanding indebtedness, are set forth below:

At June 30, 2006, long-term debt consists of:

On April 1, 1979 the Greenville Housing Development Corporation, a charitable, non-profit corporation organized and existing under the laws of the State of Michigan acting as the instrumentality of the Greenville Housing Commission, a public housing commission of the State of Michigan. The First Lien Revenue Bond, Series 1978 loan was for \$2,085,000, issued for the purpose of causing to be constructed thereon acquiring certain real estate in Greenville, Michigan, and 61 housing units and equipment for cooking, heating and refrigeration, for persons of low income, including families and elderly, handicapped and disabled persons, to be leased to the City of Greenville, Michigan, acting by and through the Greenville Housing Commission. The Bonds, mature on October 1, from 1980 to 1999, inclusive, and on October 1, 2009, in the aggregate principal amount of Two Million Eighty-five Thousand Dollars (\$2,085,000). The interest rate is eight percent (8%).

Principal payments over the next five years are as follows:

2007	\$ 135,000
2008	145,000
2009	160,000
2010	175,000
2011	-
Thereafter	<u>-</u>
	<u>\$ 615,000</u>

Debt activity during the fiscal year ended June 30, 2006 is as follows:

Balance at June 30, 2005	\$ 740,000
Principal payments	<u>(125,000)</u>
Balance at June 30, 2006	<u>\$ 615,000</u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance 06/30/05</u>	<u>Additions/Retirements/ Transfers</u>	<u>Transfers</u>	<u>Balance 06/30/06</u>
<b>Low Rent Program</b>				
Land	\$ 68,012	\$	\$	\$ 68,012
Buildings	3,153,744	113,826		3,267,570
Furniture, equip. & machinery - dwellings	54,671			54,671
Furniture, equip. & machinery - administration	<u>164,359</u>	<u>5,980</u>		<u>170,339</u>
	3,440,786	<u>\$ 119,806</u>	<u>\$</u>	3,560,592
Less accumulated depreciation	<u>(2,038,105)</u>	<u>\$ (184,263)</u>	<u>\$</u>	<u>(2,222,368)</u>
Total	<u>\$1,402,681</u>			<u>\$1,338,224</u>
<b>Capital Fund Program</b>				
Building improvements	<u>\$ 226,103</u>	<u>\$ 5,409</u>	<u>\$ 113,826</u>	<u>\$ 117,686</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equip. and machinery- administration	<u>\$ 656</u>	<u>\$</u>	<u>\$</u>	<u>\$ 656</u>
	656	<u>\$</u>	<u>\$</u>	656
Less accumulated depreciation	<u>( 656)</u>	<u>\$</u>		<u>( 656)</u>
Total	<u>\$</u>			<u>\$</u>
<b>New Construction Section 8 Program</b>				
Land	\$ 18,774	\$	\$	\$ 18,774
Buildings	2,475,182	39,094		2,514,276
Furniture, equip. & machinery - dwellings	60,000			60,000
Furniture, equip. & machinery - administration	<u>28,196</u>	<u></u>	<u></u>	<u>28,196</u>
	2,582,152	<u>\$ 39,094</u>	<u>\$</u>	2,621,246
Less accumulated depreciation	<u>(1,663,415)</u>	<u>\$ ( 80,594)</u>	<u>\$</u>	<u>(1,744,009)</u>
Total	<u>\$ 918,737</u>			<u>\$ 877,237</u>
<b>Combined Totals</b>				<u>\$2,333,147</u>



**NOTE 5: INVESTED IN CAPITAL ASSETS**

Changes in invested in capital assets in the enterprise fund type for the year ended June 30, 2006, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 1,807,521
Investment in fixed assets, net of depreciation paid for from operations net of depreciation.	<u>( 89,374)</u>
Balance, ending	<u>\$ 1,718,147</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations.

**NOTE 6: OTHER INFORMATION****A. Pension Plan**

The Greenville Housing Commission contributes 4% of employee earnings to a tax sheltered annuity Program administered by the State Farm Insurance Company in the employee's name. The Housing Commission contributed \$7,771 and employee's \$6,241 to the plan during the fiscal year. The pension plan is a defined contribution plan.

**B. Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**C. Risk Management and Litigation**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

**D. Prior Period Adjustments, Equity Transfers and Correction of Errors**

Low Rent Program

Prior period audit adjustments	\$ 18,218
Equity transfer: 2002 cfp transfer	<u>113,826</u>
	<u>\$ 132,044</u>

Public Housing Capital Fund Program

Equity Transfer: 2002 cfp transferred to low rent	<u>\$(113,825)</u>
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Section 8 New Construction Program

Correction of prior year accruals	\$ 9,889
Correction of the long-term debt balance at June 30, 2005	15,000
Correction of prior period interest expense	<u>19,600</u>
	<u>\$ 44,489</u>

**NOTE 7: SEGMENT INFORMATION**

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2006, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>New Construct. Program</u>
<b>Condensed Statement of Net Assets</b>				
Current assets	\$ 179,643	\$	\$ 84,297	\$ 509,190
Capital assets	<u>1,338,224</u>	<u>117,686</u>		<u>877,237</u>
Total assets	<u>\$1,517,867</u>	<u>\$117,686</u>	<u>\$ 84,297</u>	<u>\$1,386,427</u>
Current liabilities	\$ 52,067	\$	\$	\$ 241,334
Noncurrent liabilities	<u>10,314</u>			<u>480,000</u>
Total noncurrent liabilities	<u>62,381</u>			<u>721,334</u>
Net assets:				
Invested in capital assets	1,338,224	117,686		262,237
Unrestricted net assets	<u>117,262</u>		<u>84,297</u>	<u>402,856</u>
Total net assets	<u>1,455,486</u>	<u>117,686</u>	<u>84,297</u>	<u>665,093</u>
Total liabilities & net assets	<u>\$1,517,867</u>	<u>\$117,686</u>	<u>\$ 84,297</u>	<u>\$1,386,427</u>

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>New Construct. Program</u>
<b>Condensed Statement of Activities</b>				
Dwelling and nondwelling rents	\$ 216,509	\$	\$	\$ 138,816
Depreciation	( 178,284)			( 80,594)
Other operating expenses	<u>( 430,578)</u>		<u>(420,294)</u>	<u>( 238,929)</u>
Operating(loss)	( 392,353)		(420,294)	( 180,707)
Nonoperating revenues:				
Investment earnings	2,048		1,796	1,527
Other income	12,236			5,802
Operating grants	144,250	4,042	499,429	185,267
Capital grants		5,408		
Operating transfers	<u>4,042</u>	<u>( 4,042)</u>		
Change in net assets	( 229,777)	5,408	80,931	11,889
Prior period adjustments & equity transfers	132,044	(113,825)		44,489
Beginning net assets	<u>1,553,219</u>	<u>226,103</u>	<u>3,366</u>	<u>608,715</u>
Ending net assets	<u>\$1,455,486</u>	<u>\$117,686</u>	<u>\$ 84,297</u>	<u>\$ 665,093</u>

**Condensed Statement  
of Cash Flows**

Net cash provided (used) by:				
Operating activities	\$ ( 197,848)	\$	\$ (420,294)	\$ ( 72,891)
Noncapital financing activities	215,436		476,275	119,518
Capital and related financing activities	( 1)			(164,094)
Investing activities	<u>1,909</u>		<u>1,796</u>	<u>( 5,113)</u>
Net increase(decrease)	19,496		57,777	(122,580)
Beginning cash and cash equivalents	<u>122</u>		<u>21,095</u>	<u>170,281</u>
Ending cash and cash equivalents	<u>\$ 19,618</u>	<u>\$</u>	<u>\$ 78,872</u>	<u>\$ 47,701</u>

**NOTE 8: CONTINGENCY**

The Housing Commission's Housing Choice Voucher Program was investigated by HUD recently, but a report has not been issued as of the last date of fieldwork. It is not possible to estimate any loss contingencies, if any.

## SUPPLEMENTARY INFORMATION

GREENVILLE HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
June 30, 2006

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C-3011	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**ASSETS**

Current assets:

Cash	\$	19,618	\$
Accounts receivable-tenants		9,470	
Allowance for doubtful accounts	(	7,647)	
Investments-unrestricted		49,629	
Prepaid expenses		26,907	
Due from other programs		<u>81,666</u>	

Total current assets		<u>179,643</u>	
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Capital Assets:

Land		68,012	
Buildings		3,267,570	
Equipment		225,010	
Construction in progress		<u>117,686</u>	
		3,560,592	117,686
Less accumulated depreciation	(	<u>2,222,368)</u>	

Net capital assets		<u>1,338,224</u>	<u>117,686</u>
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Total Assets	\$	<u>1,517,867</u>	\$ <u>117,686</u>
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Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$ 78,872	\$ 47,701	\$ 146,191
	2,595	12,065
	( 1,298)	( 8,945)
	448,841	498,470
2,850	11,351	41,108
<u>2,575</u>		<u>84,241</u>
<u>84,297</u>	<u>509,190</u>	<u>773,130</u>
	18,774	86,786
	2,514,276	5,781,846
656	88,196	313,862
		<u>117,686</u>
656	2,621,246	6,300,180
( 656)	( 1,744,009)	( 3,967,033)
	<u>877,237</u>	<u>2,333,147</u>
<u>\$ 84,297</u>	<u>\$ 1,386,427</u>	<u>\$ 3,106,277</u>

GREENVILLE HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
June 30, 2006

=====

C-3011	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**LIABILITIES and NET ASSETS**

Current liabilities:

Accounts payable	\$ 20,048	\$
Tenant security deposit liability	22,142	
Accrued expenses	2,406	
Deferred revenues	6,911	
Current portion of long-term debt		
Accrued liabilities-other	560	
Due to other programs		
	<u>52,067</u>	
Total current liabilities		

Noncurrent liabilities:

Long-term debt, net of current		
Accrued compensated absences	<u>10,314</u>	
Total noncurrent liabilities	<u>10,314</u>	
Total liabilities	<u>62,381</u>	

Net Assets:

Invested in capital assets	1,338,224	117,686
Unrestricted net assets	<u>117,262</u>	
Total net assets	<u>1,455,486</u>	<u>117,686</u>
Total Liabilities and Net Assets	<u>\$1,517,867</u>	<u>\$ 117,686</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$ 8,317	\$ 28,365
	12,654	34,796
		2,406
	972	7,883
	135,000	135,000
	150	710
	<u>84,241</u>	<u>84,241</u>
	<u>241,334</u>	<u>293,401</u>
	480,000	480,000
		<u>10,314</u>
	<u>480,000</u>	<u>490,314</u>
	<u>721,334</u>	<u>783,715</u>
	262,237	1,718,147
<u>84,297</u>	<u>402,856</u>	<u>604,415</u>
<u>84,297</u>	<u>665,093</u>	<u>2,322,562</u>
<u>\$ 84,297</u>	<u>\$ 1,386,427</u>	<u>\$ 3,106,277</u>



GREENVILLE HOUSING COMMISSION  
**COMBINING STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2006  
 =====

	C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 214,963	\$
Nondwelling rent	<u>1,546</u>	<u></u>
Total operating revenues	<u>216,509</u>	<u></u>
<b>OPERATING EXPENSES:</b>		
Administration	123,167	
Tenant services	1,617	
Utilities	76,294	
Ordinary maintenance and operation	170,973	
General expenses	42,458	
Interest expense		
Casualty losses	16,069	
Housing assistance payments		
Depreciation	<u>178,284</u>	<u></u>
Total operating expenses	<u>608,862</u>	<u></u>
Operating income(loss)	<u>( 392,353)</u>	<u></u>
<b>NONOPERATING REVENUES:</b>		
Operating transfers in (out)	4,042	( 4,042)
Investment interest income	2,048	
Other income	12,236	
Capital grants		5,408
Operating grants	<u>144,250</u>	<u>4,042</u>
Total nonoperating revenues	<u>162,576</u>	<u>5,408</u>
Change in net assets	( 229,777)	5,408
Prior period adjustments, equity transfers and correction of errors	132,044	(113,825)
Net assets, beginning	<u>1,553,219</u>	<u>226,103</u>
Net assets, ending	<u>\$1,455,486</u>	<u>\$117,686</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$ 135,379	\$ 350,342
	<u>3,437</u>	<u>4,983</u>
	<u>138,816</u>	<u>355,325</u>
27,362	45,686	196,215
		1,617
	51,870	128,164
	58,774	229,747
	28,399	70,857
	54,200	54,200
		16,069
392,932		392,932
	<u>80,594</u>	<u>258,878</u>
<u>420,294</u>	<u>319,523</u>	<u>1,348,679</u>
( 420,294)	( 180,707)	( 993,354)
1,796	1,527	5,371
	5,802	18,038
		5,408
<u>499,429</u>	<u>185,267</u>	<u>832,988</u>
<u>501,225</u>	<u>192,596</u>	<u>861,805</u>
80,931	11,889	( 131,549)
	44,489	62,708
<u>3,366</u>	<u>608,715</u>	<u>2,391,403</u>
<u>\$ 84,297</u>	<u>\$ 665,093</u>	<u>\$ 2,322,562</u>

GREENVILLE HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
 Year Ended June 30, 2006

=====

	C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 212,233	\$
Cash payments to other suppliers of goods and services	( 223,052)	
Cash payments to employees for services	( 172,644)	
Cash payments for in lieu of taxes	<u>( 14,385)</u>	
Net cash (used) by operating activities	<u>( 197,848)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Tenant security deposits	1,770	
Due from/to other funds	53,138	18,218
Operating transfers in (out)	4,042	( 4,042)
Operating grants	144,250	( 14,176)
Other revenue	<u>12,236</u>	
Net cash provided by noncapital financing activities	<u>215,436</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments on long-term debt		
Capital grants		5,408
Payments for capital acquisitions	<u>( 1)</u>	<u>( 5,408)</u>
Net cash (used) by capital and related financing activities	<u>( 1)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments (increased)decreased	( 139)	
Receipts of interest and dividends	<u>2,048</u>	
Net cash provided(used) by investing activities	<u>1,909</u>	
Net increase(decrease) in cash	19,496	
Cash, beginning	<u>122</u>	
Cash, ending	<u>\$ 19,618</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Section 8 New Construction Program 14.182	Totals
\$	\$ 135,952	\$ 348,185
( 393,755)	( 137,237)	( 754,044)
( 26,539)	( 62,703)	( 261,886)
	( 8,903)	( 23,288)
<u>( 420,294)</u>	<u>( 72,891)</u>	<u>( 691,033)</u>
	( 195)	1,575
	( 71,356)	
476,275	185,267	791,616
	5,802	18,038
<u>476,275</u>	<u>119,518</u>	<u>811,229</u>
	( 125,000)	( 125,000)
		5,408
	( 39,094)	( 44,503)
	( 164,094)	( 164,095)
	( 6,640)	( 6,779)
<u>1,796</u>	<u>1,527</u>	<u>5,371</u>
<u>1,796</u>	( 5,113)	( 1,408)
57,777	( 122,580)	( 45,307)
<u>21,095</u>	<u>170,281</u>	<u>191,498</u>
<u>\$ 78,872</u>	<u>\$ 47,701</u>	<u>\$ 146,191</u>

GREENVILLE HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended June 30, 2006  
=====

C-3011	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF CASH  
FLOWS TO THE BALANCE SHEET:**

Cash	\$	19,618	\$
Restricted cash		<u>          </u>	<u>          </u>
Cash and cash equivalents per balance sheet	\$	<u>19,618</u>	\$ <u>          </u>

**SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:**

Operating income(loss)	\$ (	392,353)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:			
Depreciation		178,284	
Bad debt allowance adjustment		7,434	
Adjustments		18,218	
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable-tenants	(	3,383)	
Prepaid expenses	(	13,057)	
Increase (decrease) in liabilities:			
Bank overdraft	(	3,674)	
Accounts payable		5,727	
Accrued wage/payroll taxes payable	(	812)	
Accrued compensated absences		6,725	
Accounts payable-PILOT	(	64)	
Deferred revenues	(	<u>893</u>	
Net cash (used) by operating activities	\$ (	<u>197,848</u>	\$ <u>          </u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$ 78,872	\$ 47,701	\$ 146,191
<u>\$ 78,872</u>	<u>\$ 47,701</u>	<u>\$ 146,191</u>
\$ ( 420,294)	\$ ( 180,707)	\$ ( 993,354)
	80,594	258,878
	1,298	8,732
	29,489	47,707
	( 1,150)	( 4,533)
	( 828)	( 13,885)
		( 3,674)
		5,727
		( 812)
		6,725
	127	63
<u>                    </u>	<u>( 1,714)</u>	<u>( 2,607)</u>
<u>\$ ( 420,294)</u>	<u>\$ ( 72,891)</u>	<u>\$ ( 691,033)</u>

GREENVILLE HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended June 30, 2006

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 144,250
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	9,450
	<u>Low Income Public Housing Major - Direct Program</u>		
2006	Housing Choice Vouchers	14.871	499,429
	<u>Low Income Public Housing Major - Direct Program</u>		
2006	New Construction Section 8 Program	14.182	<u>185,267</u>
	Total		<u>\$ 838,396</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

## GREENVILLE HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended June 30, 2006

=====

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 19,618	\$
100	Total cash	<u>19,618</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	9,470	
126.1	Allowance for doubtful accounts - dwelling rents	( 7,647)	
120	Total receivables, net of allowance for doubtful accounts	<u>1,823</u>	
	Current Investments:		
131	Investments-unrestricted	<u>49,629</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	26,907	
144	Interprogram due from	<u>81,666</u>	
	Total other current assets	<u>108,573</u>	
150	Total current assets	<u>179,643</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	68,012	
162	Buildings	3,267,570	
163	Furn, equip & mach-dwellings	54,671	
164	Furn, equip & mach-admin.	170,339	
166	Accumulated depreciation	(2,222,368)	
167	Construction in progress		<u>117,686</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,338,224</u>	<u>117,686</u>
180	Total noncurrent assets	<u>1,338,224</u>	<u>117,686</u>
190	Total Assets	<u>\$ 1,517,867</u>	<u>\$117,686</u>



Housing Choice Vouchers 14.871	Section 8 New Construction Program 14.182	Totals
\$ 78,872	\$ 47,701	\$ 146,191
<u>78,872</u>	<u>47,701</u>	<u>146,191</u>
	2,595	12,065
	( 1,298)	( 8,945)
	<u>1,297</u>	<u>3,120</u>
	<u>448,841</u>	<u>498,470</u>
2,850	11,351	41,108
<u>2,575</u>		<u>84,241</u>
<u>5,425</u>	<u>11,351</u>	<u>125,349</u>
<u>84,297</u>	<u>509,190</u>	<u>773,130</u>
	18,774	86,786
	2,514,276	5,781,846
	60,000	114,671
656	28,196	199,191
( 656)	( 1,744,009)	( 3,967,033)
		<u>117,686</u>
	<u>877,237</u>	<u>2,333,147</u>
	<u>877,237</u>	<u>2,333,147</u>
<u>\$ 84,297</u>	<u>\$ 1,386,427</u>	<u>\$ 3,106,277</u>

GREENVILLE HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2006  
=====

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 5,727	\$
321	Accrued wage/payroll taxes payable	1,260	
322	Accrued compensated absences	1,146	
333	Accounts payable-other government	14,321	
341	Tenant security deposits	22,142	
342	Deferred revenues	6,911	
343	Current portion of long-term debt-capital projects/mortgage revenue bonds		
346	Accrued liabilities-other	560	
347	Interprogram due to		
310	Total current liabilities	<u>52,067</u>	
	Noncurrent Liabilities:		
351	Long-term debt, net of current		
354	Accrued compensated absences	<u>10,314</u>	
350	Total noncurrent liabilities	<u>10,314</u>	
300	Total liabilities	<u>62,381</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>1,338,224</u>	<u>117,686</u>
508	Total invested in capital assets	1,338,224	117,686
512.1	Unrestricted net assets	<u>117,262</u>	
513	Total Net Assets	<u>1,455,486</u>	<u>117,686</u>
600	Total Liabilities and Net Assets	<u>\$ 1,517,867</u>	<u>\$117,686</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$	\$ 5,727
		1,260
		1,146
	8,317	22,638
	12,654	34,796
	972	7,883
	135,000	135,000
	150	710
<u>          </u>	<u>84,241</u>	<u>84,241</u>
<u>          </u>	<u>241,334</u>	<u>293,401</u>
	480,000	480,000
<u>          </u>	<u>          </u>	<u>10,314</u>
<u>          </u>	<u>480,000</u>	<u>490,314</u>
<u>          </u>	<u>721,334</u>	<u>783,715</u>
<u>          </u>	<u>262,237</u>	<u>1,718,147</u>
	262,237	1,718,147
<u>84,297</u>	<u>402,856</u>	<u>604,415</u>
<u>84,297</u>	<u>665,093</u>	<u>2,322,562</u>
<u>\$ 84,297</u>	<u>\$ 1,386,427</u>	<u>\$ 3,106,277</u>

GREENVILLE HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended June 30, 2006  
 =====

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 214,963	\$
704	Tenant revenue-other	<u>1,546</u>	<u>          </u>
705	Total tenant revenue	216,509	
706	HUD PHA grants	144,250	4,042
706.1	Capital grants		5,408
711	Investment income-unrestricted	2,048	
715	Other revenue	<u>12,236</u>	<u>          </u>
700	Total revenue	<u>375,043</u>	<u>9,450</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	55,765	
912	Auditing fees	1,500	
914	Compensated absences	6,724	
915	Employee benefit contributions-adm.	25,741	
916	Other operating-administrative	33,437	
	Tenant Services:		
924	Tenant services-other	1,617	
	Utilities:		
931	Water	19,170	
932	Electricity	23,442	
933	Gas	33,682	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	66,161	
942	Ordinary maint & oper-mat'ls & other	31,665	
943	Ordinary maint & oper-contract costs	42,625	
945	Employee benefit contributions	30,522	
	General expenses:		
961	Insurance premiums	14,723	
962	Other general expenses	5,980	
963	Payments in lieu of taxes	14,321	
964	Bad debt-tenant rents	7,434	
967	Interest expense	<u>          </u>	<u>          </u>
969	Total operating expenses	<u>414,509</u>	<u>          </u>
970	Excess operating revenue over operating expenses	<u>( 39,466)</u>	<u>9,450</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$ 135,379	\$ 350,342
	3,437	4,983
	138,816	355,325
499,429	185,267	832,988
		5,408
1,796	1,527	5,371
	5,802	18,038
<u>501,225</u>	<u>331,412</u>	<u>1,217,130</u>
26,539	18,706	101,010
	2,529	4,029
		6,724
	10,392	36,133
823	14,059	48,319
		1,617
	14,534	33,704
	18,476	41,918
	18,860	52,542
	21,480	87,641
	9,485	41,150
	15,684	58,309
	12,125	42,647
	18,392	33,115
	392	6,372
	9,030	23,351
	585	8,019
	54,200	54,200
<u>27,362</u>	<u>238,929</u>	<u>680,800</u>
<u>473,863</u>	<u>92,483</u>	<u>536,330</u>

GREENVILLE HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2006  
=====

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
972	Casualty losses	16,069	
973	Housing assistance payments		
974	Depreciation expense	<u>178,284</u>	
	Total other expenses	<u>194,353</u>	
900	Total expenses	<u>608,862</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	( 233,819)	9,450
	<b>Other Financing Sources(Uses) :</b>		
1001	Operating transfers in (out)	<u>4,042</u>	<u>( 4,042)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 229,777)	5,408
1103	Beginning Net Assets	1,553,219	226,103
1104	Prior period adjustments, equity transfers and correction of errors	<u>132,044</u>	<u>(113,825)</u>
	Ending Net Assets	<u>\$ 1,455,486</u>	<u>\$117,686</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
		16,069
392,932		392,932
<u>          </u>	<u>80,594</u>	<u>258,878</u>
<u>392,932</u>	<u>80,594</u>	<u>667,879</u>
<u>420,294</u>	<u>319,523</u>	<u>1,348,679</u>
80,931	11,889	( 131,549)
<u>          </u>	<u>          </u>	<u>          </u>
80,931	11,889	( 131,549)
3,366	608,715	2,391,403
<u>          </u>	<u>44,489</u>	<u>62,708</u>
<u>\$ 84,297</u>	<u>\$ 665,093</u>	<u>\$ 2,322,562</u>

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Housing Commissioners  
Greenville Housing Commission  
Greenville, Michigan

I have audited the financial statements of the business-type activities of the Greenville Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated January 19, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated January 19, 2007.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards  
Greenville Housing Commission  
Page Two

**Compliance and Other Matters (continued)**

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Gary E. Lusk, CPA, PE*

January 19, 2007

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Greenville Housing Commission  
Greenville, Michigan

**Compliance**

I have audited the compliance of the Greenville Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

As described in items 06-1, 06-4, and 06-5, in the accompanying schedule of findings and questioned costs, the Housing Commission,

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Greenville Housing Commission  
Page Two

**Compliance (continued)**

did not comply with requirements regarding eligibility and special tests and provisions applicable to the Housing Choice Voucher Program. Also, as described in items 06-2 and 06-3 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility and special tests and provisions that are applicable to its Low Rent and New Construction Programs. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Housing Commission's, ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 06-1, 06-2, and 06-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Greenville Housing Commission  
Page Three

**Internal Control Over Compliance (continued)**

assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition, described above, I consider to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Standish, CPA, PE*

January 19, 2007

GREENVILLE HOUSING COMMISSION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 June 30, 2006  
 =====

**A. Summary of Audit Results**

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
  - a. Material weakness identified No
  - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
  - a. Material weakness identified Yes
  - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Qualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 Yes
4. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 144,250	Yes	E,N	N/A	06-2
14.872	Capital Fund Program	9,450	No	O	N/A	N/A
14.871	Housing Choice Vouchers	499,429	Yes	E,N	N/A	06-1
				N	N/A	06-4
				N	N/A	06-5
14.182	New Construction Section 8	<u>185,267</u>	Yes	E,N	N/A	06-3
	<b>Total</b>	<b><u>\$ 838,396</u></b>				

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Commission was not determined to be a low-risk auditee.

GREENVILLE HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2006  
=====

B. Financial Statement Findings None

C. Federal Award Findings and Questioned Costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Housing Choice Voucher Program - CFDA No. 14.871

06-1 Year Ended June 30, 2006

*Condition and Criteria:* Required documentation to determine eligibility is missing in the tenant files.

*Effect:* It is difficult to determine if the tenants are eligible for the Voucher without the proper documentation available to review.

*Cause:* The former occupancy specialist in charge of this program did not perform due diligence in her duties.

*Population and Items Tested:* We selected at random six(6) tenant files to test. There was a population of 71 tenant files to choose from.

We looked for the following required documentation in the files:

	<u># of Exceptions</u>
a. Application	0
b. Copy of birth certificate	1
c. Copy of social security card	0
d. Copy of photo ID	0
e. Citizenship form	1
f. Inspection report	0
g. Ownership certification	1
h. Lease	1
i. Tenancy addendum	0
j. Signed worksheet for HUD-50058	3
k. Form HUD-50058 (not signed)	4
l. Signed HAP contract	1
m. Proper verifications of income and expenses	5
n. Privacy act notice	2
o. Annual review	3
p. Notice of rent adjustment	4
q. Criminal background check	0
r. Rent reasonableness test	6

32

**C. Federal Award Findings and Questioned Costs (continued)**

**06-1 Year Ended June 30, 2006**

*Population and Items Tested (continued):*

Out of a possible 108, there were 32 exceptions from this test, i.e. a 29.6% exception rate.

*Auditor's Recommendation:* I recommend that the Housing Commission continue to correct the lack of documentation listed above for all tenant files.

*Grantee Response:* We are continuing the process of obtaining the missing documentation for all Housing Choice Voucher tenants.

C. Federal Award Findings and Questioned Costs (continued)

Low Rent Public Housing Program - CFDA No. 14.850

06-2 Year Ended June 30, 2006

*Condition and Criteria:* Required documentation to determine eligibility is missing in the tenant files.

*Effect:* Various items of the tenant files tested were missing the required documentation to determine if tenants were eligible.

*Cause:* Since the termination of the Housing Choice Voucher Occupancy Specialist, the staff has been trying to catch up, because of not replacing this position.

*Population and Items Tested:* We selected at random six(6) tenant files to test. There was a population of 89 tenant files to choose from.

We looked for the following required documentation in the files:

	<u># of Exceptions</u>
a. HUD Form 50058	2
b. Privacy act notice	2
c. Proper verification of income and expenses	3
d. Inspection report	0
e. Lease	0
f. Application	0
g. Picture ID	2
h. Proof of social security number	0
i. Birth certificate	3
j. Annual review	2
k. Worksheet for HUD Form 50058	2
l. Notice of rent adjustment	2
m. Criminal background check	1
n. Declaration of 214 status	<u>0</u>
	<u>19</u>

Out of a possible 84, there were 19 exceptions from this test, i.e. a 22.6% exception rate.

*Auditor's Recommendation:* I recommend that the Housing Commission staff correct the exceptions described above.

*Grantee Response:* We have been making progress in getting the tenant files in order from prior years and will correct the exceptions listed above.



C. Federal Award Findings and Questioned Costs (continued)

New Construction Section 8 Program - CFDA No. 14.182

06-3 Year Ended June 30, 2006

*Condition and Criteria:* Required documentation to determine eligibility is missing in the tenant files.

*Effect:* Various items of the tenant files tested were missing the required documentation to determine if tenants were eligible.

*Cause:* Since the termination of the Housing Choice Voucher Occupancy Specialist, the staff has been trying to catch up, because of not replacing this position.

*Population and Items Tested:* We selected at random six(6) tenant files to test. There was a population of 61 tenant files to choose from.

We looked for the following required documentation in the files:

	<u># of Exceptions</u>
a. HUD Form 50059	1
b. Privacy act notice	2
c. Proper verification of income and expenses	4
d. Inspection report	0
e. Lease	0
f. Application	1
g. Picture ID	1
h. Proof of social security number	1
i. Birth certificate	1
j. Annual review	1
k. Worksheet for HUD Form 50059	3
l. Notice of rent adjustment	0
m. Criminal background check	1
n. Declaration of 214 status	<u>1</u>
	<u>17</u>

Out of a possible 84, there were 17 exceptions from this test, i.e. a 20.2% exception rate.

*Auditor's Recommendation:* I recommend that the Housing Commission staff correct the exceptions described above.

*Grantee Response:* We have been making progress in getting the tenant files in order from prior years and will correct the exceptions listed above.

**C. Federal Award Findings and Questioned Costs (continued)**

Housing Choice Voucher Program - CFDA No. 14.871

**06-4** Year Ended June 30, 2006

*Condition and Criteria:* A rent reasonable test is required to be performed initially and during the term of the contract for each tenant.

*Effect:* The rent to the owner may not be reasonable in comparison for other comparable unassisted units.

*Cause:* The former occupancy specialist had not recently done a study of comparable rents for other unassisted units and this has continued with the current occupancy specialist because of workload issues.

*Population and Items Tested:* Of the six(6) tenant files tested, there were no rent reasonable tests performed.

*Auditor's Recommendation:* I recommend the Housing Commission begin performing a rent reasonable test on an annual basis for each tenant and file the documentation in the tenant file.

*Grantee Response:* We have considered hiring a consultant to perform this test for us. In future years we plan to perform this test ourselves.

**C. Federal Award Findings and Questioned Costs (continued)**

Housing Choice Voucher Program - CFDA No. 14.871

**06-5** Year Ended June 30, 2006

*Condition and Criteria:* The Housing Commission hired a consultant to prepare an up-to-date utility allowance schedule, the utility allowances have not been implemented.

*Effect:* If there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised, then the allowance the Housing Commission has been using would be incorrect. If the revised utility allowance schedule was implemented the tenants would not qualify because the rent and utilities would be over 40% of their income.

*Cause:* The former occupancy specialist failed to update the utility allowance schedule timely.

*Population and Items Tested:* Inquires of the Executive Director confirmed that the new utility allowance schedule has not been implemented yet for any of the tenants.

*Auditor's Recommendation:* I recommend the Housing Commission implement the utility allowance schedule on at least an incremental basis (with HUD's approval) until fully implemented.

*Grantee Response:* We are waiting for a response from HUD regarding this.

GREENVILLE HOUSING COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2006  
=====

- Finding 05-1: Required documentation to determine eligibility in the Housing Choice Voucher Program is missing is repeated as finding 06-1.
- Finding 05-2: There was not a periodic review done of the Housing Choice Voucher Program tenant files during the fiscal year. This finding has been cleared.
- Finding 05-3: There was not any documentation in the Housing Choice Voucher Program tenant files to indicate that briefings were held with the tenants selected for the program. This finding has been cleared.
- Finding 05-4: There is not the required documentation in 70% of the Housing Choice Voucher Program tenant files tested to support that inspections were performed. This finding has been cleared.
- Finding 05-5: A rent reasonable test is required to be performed in the Housing Choice Voucher Program initially and during the term of the contract for each tenant is a repeat finding as 06-4.
- Finding 05-6: There was not any documentation in the Housing Choice Voucher Program available to indicate that an up-to-date utility allowance schedule was used is a repeat finding as 06-5.
- Finding 05-7: There was no documentation showing that the Housing Commission followed its written policies in the Housing Choice Voucher Program for selecting applicants for admission from the waiting list. This finding has been cleared.
- Finding 05-8: The Housing Commission as of June 30, 2006 had eight(8) tenants participating in the Homeownership Program, but there is no documentation in the tenant files. This program has been suspended, therefore, the finding is cleared.
- Finding 05-9: During testing of tenant files for the Low Rent and New Construction Programs it was discovered that the verification for social security income was not in one of the files. This finding has been cleared.
- Finding 05-10: The Davis-Bacon Act requires that employees of the Contractor be interviewed to be sure they are being paid at least or above the federal prescribed wage rate. This finding has been cleared.

GREENVILLE HOUSING COMMISSION  
ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2006  
=====

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<b>LOW RENT PROGRAM</b>			
	(1)		
4220	Tenant services-other	\$ 1,587.00	
4420	Materials		\$ 713.00
4430	Contract costs		506.00
4540	Employee benefit costs		368.00
	To reclassify payments made to Guilfoyle Enterprises for exercise classes for tenants.		
	(2)		
4570	Bad debts-tenant rents	7,647.36	
1123	Allowance for bad debts		7,647.36
	To setup allowance for vacated units as bad debts.		
	(3)		
3110	Dwelling rents	9,443.43	
2114	Tenant security deposits		9,443.43
	To adjust tenant security deposits to actual.		
	(4)		
1123	Allowance for bad debts	213.00	
4570	Bad debts-tenant rents		213.00
	To adjust beginning allowance to zero.		
<b>NEW CONSTRUCTION PROGRAM</b>			
	(1)		
4570	Bad debts-tenant rents	\$ 1,297.65	
1123	Allowance for bad debts		\$ 1,297.65
	To setup allowance for vacated units as bad debt.		
	(2)		
6010	Long-term debt	15,000.00	
2342	Invested in capital assets		15,000.00
	To correct long-term debt due at June 30, 2006.		
	(3)		
8021	Interest expense	19,600.00	
6010	Prior period adjustment		19,600.00
	To adjust interest expense.		

GREENVILLE HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2006

**GREENVILLE HOUSING COMMISSION**  
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**JUNE 30, 2006**

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Adjusting Journal Entries	5

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Greenville Housing Commission

I have audited the financial statements of the Greenville Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated January 19, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were several audit adjusting journal entries and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.



**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustment, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing several audit adjusting journal entries that were necessary).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Barry Standish, CPA*

January 19, 2007

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Greenville Housing Commission

I have audited the financial statements of the Greenville Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated January 19, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, P.C.*

January 19, 2007

GREENVILLE HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
June 30, 2006

=====

**Cash Collections**

Tenants currently can pay their rents by cash, check or money order.

I recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of assets.

GREENVILLE HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
June 30, 2006  
=====

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